

AUDITING PROCEDURES REPORT

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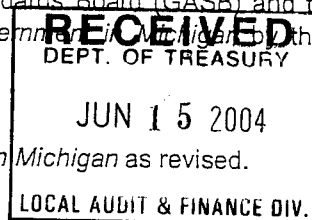
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>mt. Pleasant Housing Commission</i>	County <i>Isabella</i>
Audit Date <i>3/31/04</i>	Opinion Date <i>5/25/04</i>	Date Accountant Report Submitted to State: <i>6/8/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49640
Accountant Signature <i>Barry E. Gaudette</i>			

MT. PLEASANT HOUSING COMMISSION
MT. PLEASANT, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

MT. PLEASANT HOUSING COMMISSION
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March 31, 2004

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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

We have audited the accompanying statement of net assets of the Mt. Pleasant Housing Commission, Michigan (a component unit of the City of Mt. Pleasant) as of March 31, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mt. Pleasant Housing Commission, Michigan, as of March 31, 2004 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2004 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Mt. Pleasant Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining statements of net assets, revenues, expenses, changes in net assets and cash flows, the schedule of expenditures of Federal awards and the Financial Data Schedule are presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bam E. Landetta, CPA, PC

May 25, 2004

MT. PLEASANT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
March 31, 2004
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The Mt. Pleasant Housing Commission, created on May 23, 1966, by the City of Mt. Pleasant provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Mt. Pleasant Housing Commission consists of two programs. The first is owned housing, consisting of 123 units of public housing and the second is the Housing Choice Voucher program. Mt. Pleasant Housing Commission had total revenues of \$701,607, including \$268,296 rental payments and \$403,339 in federal assistance. Total operating expenses were \$905,537, including \$196,223 administrative expenses and \$156,162 in depreciation costs.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$3,654,397. The Housing Commission's total net assets decreased by \$(203,613). The decrease is attributable in part to depreciation expense.

Total assets of the Housing Commission were \$3,717,450 including \$569,715 of current assets and \$3,147,735 of net, property and equipment. The Housing Commission had current liabilities of \$60,220.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

MT. PLEASANT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
March 31, 2004
=====

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended March 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 569,715	\$ 657,656	\$ (87,941)
Property and equipment	<u>3,147,735</u>	<u>3,291,062</u>	<u>(143,327)</u>
Total assets	<u>\$3,717,450</u>	<u>\$3,948,718</u>	<u>\$ (231,268)</u>
Current liabilities	\$ 60,220	\$ 87,158	\$ (26,938)
Noncurrent liabilities	<u>2,833</u>	<u>3,550</u>	<u>(717)</u>
Total liabilities	<u>63,053</u>	<u>90,708</u>	<u>(27,655)</u>
Net assets:			
Invested in capital assets	3,147,735	3,123,886	23,849
Unrestricted	<u>506,662</u>	<u>734,124</u>	<u>(227,462)</u>
Total net assets	<u>3,654,397</u>	<u>3,858,010</u>	<u>(203,613)</u>
Total liabilities and net assets	<u>\$3,717,450</u>	<u>\$3,948,718</u>	<u>\$ (231,268)</u>

MT. PLEASANT HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
 March 31, 2004

=====

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended March 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 268,296	\$ 271,498	\$ (3,202)
Nondwelling rent	<u>5,031</u>	<u>4,978</u>	<u>53</u>
Total operating revenues	<u>273,327</u>	<u>276,476</u>	<u>(3,149)</u>
Operating expenses:			
Administration	196,223	185,931	10,292
Tenant services	8,639	8,882	(243)
Utilities	115,681	99,118	16,563
Ordinary maintenance and operation	192,687	193,397	(710)
General expenses	40,765	32,080	8,685
Non-routine maintenance	15,278	14,421	857
Housing assistance payments	180,102	174,882	5,220
Depreciation	<u>156,162</u>	<u>167,654</u>	<u>(11,492)</u>
Total operating expenses	<u>905,537</u>	<u>876,365</u>	<u>29,172</u>
Operating income(loss)	<u>(632,210)</u>	<u>(599,889)</u>	<u>(32,321)</u>
Non-operating revenue (expense):			
Interest income	4,464	8,859	(4,395)
Operating grants	403,339	361,383	41,956
Fraud recovery	600	100	500
Other revenue	<u>19,877</u>	<u>24,667</u>	<u>(4,790)</u>
Total nonoperating revenue(expense)	<u>428,280</u>	<u>395,009</u>	<u>33,271</u>
Change in Net Assets	<u><u>\$ (203,930)</u></u>	<u><u>\$ (204,880)</u></u>	<u><u>\$ 950</u></u>

FINANCIAL STATEMENTS

MT. PLEASANT HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
March 31, 2004
=====

ASSETS

Current Assets:

Cash	\$ 500,754
Accounts receivable-HUD	35,984
Accounts receivable-tenants	529
Allowance for doubtful accounts	(16)
Prepaid expenses	21,946
Inventories	3,748
Due from other programs	<u>6,770</u>

Total Current Assets	<u>569,715</u>
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Property, Plant, and Equipment:

Land	243,557
Buildings	4,881,909
Equipment	<u>233,308</u>
	5,358,774
Less: accumulated depreciation	<u>(2,211,039)</u>

Net Property, Plant, and Equipment	<u>3,147,735</u>
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Total Assets	<u><u>\$3,717,450</u></u>
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See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2004
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 18,528
Tenant security deposit liability	24,276
Accrued expenses	10,080
Deferred revenues	566
Due to other programs	<u>6,770</u>

Total Current Liabilities	60,220
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Noncurrent Liabilities:

Accrued compensated absences	<u>2,833</u>
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Total Liabilities	<u>63,053</u>
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Net Assets:

Invested in capital assets	3,147,735
Unrestricted net assets	<u>506,662</u>

Total Net Assets	<u>3,654,397</u>
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Total Liabilities and Net Assets	<u><u>\$3,717,450</u></u>
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See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2004
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OPERATING REVENUES:

Dwelling rent	\$ 268,296
Nondwelling rent	<u>5,031</u>
Total operating revenues	<u>273,327</u>

OPERATING EXPENSES:

Administration	196,223
Tenant services	8,639
Utilities	115,681
Ordinary maintenance and operation	192,687
General expenses	40,765
Extraordinary maintenance	15,178
Casualty losses	100
Housing assistance payments	180,102
Depreciation	<u>156,162</u>
Total operating expenses	<u>905,537</u>

Operating income(loss)	<u>(632,210)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	4,464
Fraud recovery	600
Other income	19,877
Operating grants	<u>403,339</u>

Total nonoperating revenues(expenses)	<u>428,280</u>
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Net income(loss)	(203,930)
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Prior period adjustment	317
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Net assets, beginning	<u>3,858,010</u>
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Net assets, ending	<u><u>\$ 3,654,397</u></u>
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See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended March 31, 2004
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Cash flows from operating activities:

Operating(loss)	\$(632,210)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	156,162
Bad debt	(156)
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable	(33)
Prepaid expenses	(9,091)
Inventories	(128)
Increase (decrease) in liabilities:	
Accounts payable-operations	(18,690)
Accrued wage/payroll taxes	(4,017)
Accrued compensated absences	(194)
Accounts payable-PILOT	(2,586)
Deferred revenues	181
Tenant deposits	(195)
Accrued liabilities	(2,145)
Prior period adjustment	317
Net cash (used in) operating activities	<u>(512,785)</u>

**Cash flows from noncapital and related
financing activities:**

Operating grants	374,247
Fraud recovery	2,745
Other revenue	<u>19,877</u>
Net cash provided by noncapital and related financing activities	<u>396,869</u>

**Cash flows from capital and related financing
activities:**

Payments for capital acquisitions	<u>(12,835)</u>
Net cash (used in) capital and related financing activities	<u>(12,835)</u>

MT. PLEASANT HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
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Cash flows from investing activities:

Receipts of interest and dividends	<u>4,464</u>
Net cash provided by investing activities	<u>4,464</u>
Net increase(decrease) in cash	(124,287)
Cash, beginning	<u>625,041</u>
Cash, ending	<u><u>\$ 500,754</u></u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 500,754
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 500,754</u></u>

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Mt. Pleasant Housing Commission. The Mt. Pleasant Housing Commission is a component unit of the City of Mt. Pleasant, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Mt. Pleasant on May 23, 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Mt. Pleasant Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3062, the Housing Commission constructed, maintains and operates 99 units of subsidized housing in the City of Mt. Pleasant, Michigan. The Housing Commission also manages a Housing Choice Voucher program of subsidies for 50 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of MT. PLEASANT has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Inventory

Inventory is priced using the average cost method.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Nondwelling structures	10 years
Equipment - portable	10 years
Furnishings	5 years
Office equipment	5 years

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave can be accumulated to equal two year's normal vacation. One year's vacation days can be carried into the following year. Upon separation of any employee from the job, he/she shall be paid at the time of separation for the unused portion of his/her accumulated vacation earned unless separated for malfeasance.
- * Sick days shall accumulate up to a total of ninety days, but is not paid upon being permanently separated from employment.

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

- * There is a personal leave day policy of two days per year, but no accumulation can occur.

The amount of accumulated benefits at March 31, 2004, was \$12,913, and is recorded as a liability in the Low Rent Program.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program fund. All receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Isabella Bank & Trust	\$181,389	\$	\$	\$181,389	\$156,449
Isabella Bank & Trust - sweep accounts	<u>344,255</u>			<u>344,255</u>	<u>344,255</u>
Total Deposits	<u>\$525,644</u>	<u>\$</u>	<u>\$</u>	<u>\$525,644</u>	500,704
Petty cash					<u>50</u>
					<u>\$500,754</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					\$500,754
Investments					-
Restricted cash					-
Total					<u>\$500,754</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$529 with \$16 estimated as uncollectible. Bad debt expense was \$881.

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

Housing Choice Voucher Program	\$ 35,984
Total	<u>\$ 35,984</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	<u>\$6,770</u>	Housing Choice Voucher Program	<u>\$6,770</u>

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Housing Choice Voucher Program	<u>\$ -</u>

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Low Rent Program			
Land	\$ 243,557	\$	\$ 243,557
Buildings	4,877,085	4,824	4,881,909
Furniture, equip. & machinery - dwellings	91,827	517	92,344
Furniture, equip. & machinery - administration	<u>135,323</u>	<u>4,639</u>	<u>139,962</u>
	5,347,792	<u>\$ 9,980</u>	<u>\$ 5,357,772</u>
Less accumulated depreciation	<u>(2,056,730)</u>	<u>\$ (156,162)</u>	<u>\$ (2,210,037)</u>
Total	<u>\$3,291,062</u>		<u>\$3,147,735</u>

Housing Choice Voucher Program

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Furniture, equip. & machinery - administration	\$ <u>1,002</u>	\$	\$ <u>1,002</u>
	1,002	<u>\$</u>	<u>1,002</u>
Less accumulated depreciation	<u>(1,002)</u>	<u>\$</u>	<u>(1,002)</u>
Total	<u>\$</u>		<u>\$</u>

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	Invested in Capital Assets, Net of Related <u>Debt</u>
Balance, beginning	\$ 3,123,886
Increase in capital assets	<u>23,849</u>
Balance, ending	<u>\$ 3,147,735</u>

NOTE 6: POST EMPLOYMENT BENEFITS

A. Plan Description

The Housing Commission has a Simplified Employee Pension Plan covering substantially all of its employees. The Housing Commission makes monthly contributions to the Plan equal to 12 percent of salaries. During the fiscal year ended March 31, 2004 the Housing Commission contributed a total of \$15,655.83.

NOTE 7: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 8: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Housing Choice Voucher Program</u>
Operating revenue	\$ 273,327	\$ -
Depreciation	156,162	-
Operating(loss)	(437,831)	(194,379)
Operating grants	164,939	238,400
Net income(loss)	(248,661)	44,731
Operating transfers	-	-
Plant, property, and equipment:		
Additions	9,980	
Deletions	-	-
Working capital	434,970	74,525
Total assets	3,636,155	81,295
Total equity	3,579,872	74,525

**NOTE 9: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND
 CORRECTION OF ERRORS**

Housing Choice Voucher Program

HUD changes to 52681 at 3/31/03 \$ 317

SUPPLEMENTARY INFORMATION

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2004
 =====

	C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
ASSETS		
Current assets:		
Cash	\$ 455,443	\$ 45,311
Accounts receivable-HUD		35,984
Accounts receivable-tenants	529	
Allowance for doubtful accounts		
- dwelling rents	(16)	
Prepaid expenses	21,946	
Inventories	3,748	
Due from other programs	<u>6,770</u>	
Total current assets	<u>488,420</u>	<u>81,295</u>
Property, plant, and equipment:		
Land	243,557	
Buildings	4,881,909	
Equipment	<u>232,306</u>	<u>1,002</u>
	5,357,772	1,002
Less accumulated depreciation	<u>(2,210,037)</u>	<u>(1,002)</u>
Net property, plant and equipment	<u>3,147,735</u>	
Total Assets	<u><u>\$3,636,155</u></u>	<u><u>\$ 81,295</u></u>

Totals

\$ 500,754
35,984
529

(16)
21,946
3,748
6,770

569,715

243,557
4,881,909
233,308
5,358,774
(2,211,039)

3,147,735

\$ 3,717,450

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2004

=====

	C-3062	Housing
	Low Rent	Choice
	Program	Voucher
	14.850	Program
		14.871

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 18,528	\$
Tenant security deposit liability	24,276	
Accrued expenses	10,080	
Deferred revenues	566	
Due to other programs		6,770
Total current liabilities	53,450	6,770

Noncurrent liabilities:

Accrued compensated absences	2,833	
Total liabilities	56,283	6,770

Net Assets:

Invested in capital assets	3,147,735	
Unrestricted net assets	432,137	74,525
Total net assets	3,579,872	74,525
Total Liabilities and Net Assets	\$3,636,155	\$ 81,295

Totals

\$ 18,528
24,276
10,080
566
6,770

60,220

2,833

63,053

3,147,735
506,662

3,654,397

\$ 3,717,450

MT. PLEASANT HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2004
 =====

	C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
OPERATING REVENUES:		
Dwelling rent	\$ 268,296	\$
Nondwelling rent	<u>5,031</u>	
Total operating revenues	<u>273,327</u>	
OPERATING EXPENSES:		
Administration	182,044	14,179
Tenant services	8,639	
Utilities	115,681	
Ordinary maintenance and operation	192,687	
General expenses	40,667	98
Extraordinary maintenance	15,178	
Casualty losses	100	
Housing assistance payment		180,102
Depreciation	<u>156,162</u>	
Total operating expenses	<u>711,158</u>	<u>194,379</u>
Operating income(loss)	<u>(437,831)</u>	<u>(194,379)</u>
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	4,354	110
Fraud recovery		600
Other income	19,877	
Operating grants	<u>164,939</u>	<u>238,400</u>
Total nonoperating revenues (expenses)	<u>189,170</u>	<u>239,110</u>
Net income(loss)	<u>(248,661)</u>	44,731
Prior period adjustments, equity transfers and correction of errors		317
Net assets, beginning	<u>3,828,533</u>	<u>29,477</u>
Net assets, ending	<u>\$3,579,872</u>	<u>\$ 74,525</u>

Totals

\$ 268,296
5,031

273,327

196,223

8,639

115,681

192,687

40,765

15,178

100

180,102

156,162

905,537

(632,210)

4,464

600

19,877

403,339

428,280

(203,930)

317

3,858,010

\$ 3,654,397

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2004
=====

	C-3062 Low Rent Program 14.850	Housing Choice Voucher Program 14.871
Cash flows from operating activities:		
Operating(loss)	\$(437,831)	\$(194,379)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	156,162	
Bad debt	(156)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(33)	
Prepaid expenses	(9,091)	
Inventories	(128)	
Increase (decrease) in liabilities:		
Accounts payable-operations	(18,690)	
Accrued wage/payroll taxes	(4,017)	
Accrued compensated absences	(194)	
Accounts payable-PILOT	(2,586)	
Deferred revenues	181	
Tenant deposits	(195)	
Accrued liabilities		(2,145)
Prior period adjustment		317
Net cash (used in) operating activities	<u>(316,578)</u>	<u>(196,207)</u>
Cash flows from noncapital and related financing activities:		
Operating grants	164,939	209,308
Fraud recovery		2,754
Other revenue	<u>19,877</u>	
Net cash provided by noncapital and related financing activities	<u>184,816</u>	<u>212,062</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	<u>(12,835)</u>	
Net cash (used in) Capital and related financing activities	<u>(12,835)</u>	

Totals

\$ (632,210)

156,162
(156)

(33)
(9,091)
(128)

(18,690)
(4,017)
(194)
(2,586)
181
(195)
(2,145)
317

(512,785)

374,247
2,745
19,877

396,869

(12,835)

(12,835)

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended March 31, 2004
 =====

	C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
Cash flows from investing activities:		
Receipts of interest and dividends	<u>4,354</u>	<u>110</u>
Net cash provided by investing activities	<u>4,354</u>	<u>110</u>
Net increase(decrease) in cash	(140,243)	15,956
Cash, beginning	<u>595,686</u>	<u>29,355</u>
Cash, ending	<u><u>\$ 455,443</u></u>	<u><u>\$ 45,311</u></u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 455,443	\$ 45,311
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 455,443</u></u>	<u><u>\$ 45,311</u></u>

Totals

4,464

4,464

(124,287)

625,041

\$ 500,754

\$ 500,754

\$ 500,754

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 164,939
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>238,400</u>
	Total		<u>\$ 403,339</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MT. PLEASANT HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 455,443	\$ 45,311
100	Total cash	<u>455,443</u>	<u>45,311</u>
	Receivables:		
122	A/R-HUD other projects		35,984
126	A/R-tenants-dwelling rents	529	
126.1	Allowance for doubtful accounts - dwelling rents	(16)	
120	Total receivables, net of allowance for doubtful accounts	<u>513</u>	<u>35,984</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	21,946	
143	Inventories	3,748	
144	Interprogram due from	<u>6,770</u>	
	Total other current assets	<u>32,464</u>	
150	Total current assets	<u>488,420</u>	<u>81,295</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	243,557	
162	Buildings	4,881,909	
163	Furn, equip & mach-dwellings	92,344	
164	Furn, equip & mach-admin.	139,962	1,002
166	Accumulated depreciation	<u>(2,210,037)</u>	<u>(1,002)</u>
160	Total fixed assets, net of accumulated depreciation	<u>3,147,735</u>	
180	Total noncurrent assets	<u>3,147,735</u>	
190	Total Assets	<u>\$ 3,636,155</u>	<u>\$ 81,295</u>

Totals

\$ 500,754

500,754

35,984

529

(16)

36,497

21,946

3,748

6,770

32,464

569,715

243,557

4,881,909

92,344

140,964

(2,211,039)

3,147,735

3,147,735

\$ 3,717,450

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 3,572	\$
322	Accrued compensated absences	10,080	
333	Accounts payable-other government	14,956	
341	Tenant security deposits	24,276	
342	Deferred revenues	566	
347	Interprogram due to		<u>6,770</u>
310	Total current liabilities	53,450	6,770
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>2,833</u>	
300	Total liabilities	<u>56,283</u>	<u>6,770</u>
	Equity:		
	Invested in capital assets, net		
508.1	net of related debt	3,147,735	
512.1	Unrestricted net assets	<u>432,137</u>	<u>74,525</u>
513	Total Equity/Net Assets	<u>3,579,872</u>	<u>74,525</u>
600	Total Liabilities and Equity/ Net Assets	<u>\$ 3,636,155</u>	<u>\$ 81,295</u>

Totals

\$ 3,572
10,080
14,956
24,276
566
6,770

60,220

2,833

63,053

3,147,735
506,662

3,654,397

\$ 3,717,450

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004

FDS Line Item No.		C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
	Revenue:		
703	Net tenant rental revenue	\$ 268,296	\$
704	Tenant revenue-other	<u>5,031</u>	
705	Total tenant revenue	273,327	
706	HUD PHA grants	164,939	238,400
711	Investment income-unrestricted	4,354	110
714	Fraud recovery		600
715	Other revenue	<u>19,877</u>	
700	Total revenue	<u>462,497</u>	<u>239,110</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	115,986	8,740
912	Auditing fees	1,305	145
914	Compensated absences	(194)	
915	Employee benefit contributions-adm.	44,423	2,759
916	Other operating-administrative	20,524	2,535
	Tenant Services:		
921	Tenant services-salaries	6,432	
923	Employee benefit contributions	492	
924	Tenant services-other	1,715	
	Utilities:		
931	Water	18,996	
932	Electricity	41,988	
933	Gas	54,697	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	98,270	
942	Ordinary maint & oper-matl's & other	19,869	
943	Ordinary maint & oper-contract costs	32,832	
945	Employee benefit contributions- ordinary maintenance	41,716	
	General expenses:		
961	Insurance premiums	24,022	98
963	Payments in lieu of taxes	15,764	
964	Bad debt-tenant rents	<u>881</u>	
969	Total operating expenses	<u>539,718</u>	<u>14,277</u>
970	Excess operating revenue over operating expenses	<u>(77,221)</u>	<u>224,833</u>

<u>Totals</u>	
\$	268,296
	<u>5,031</u>
	273,327
	403,339
	4,464
	600
	<u>19,877</u>
	<u>701,607</u>

	124,726
	1,450
(194)
	47,182
	23,059

	6,432
	492
	1,715

	18,996
	41,988
	54,697

	98,270
	19,869
	32,832
	41,716

	24,120
	15,764
	<u>881</u>

	<u>553,995</u>
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	<u>147,612</u>
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MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850</u>	Housing Choice Voucher Program <u>14.871</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	15,178	
972	Casualty losses	100	
973	Housing assistance payments		180,102
974	Depreciation expense	<u>156,162</u>	
	Total other expenses	<u>171,440</u>	<u>180,102</u>
900	Total expenses	<u>711,158</u>	<u>194,379</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	(248,661)	44,731
1103	Beginning Equity	3,828,533	29,477
1104	Prior period adjustments, equity transfers and correction of errors	<u> </u>	<u>317</u>
	Ending Equity	<u>\$ 3,579,872</u>	<u>\$ 74,525</u>

Totals

15,178
100
180,102
156,162

351,542

905,537

(203,930)

3,858,010

317

\$ 3,654,397

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

We have audited the financial statements of the Mt. Pleasant Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated May 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Mt. Pleasant Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Housing Commissioners, management, others within the organization, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Landolt, CPA, PC

May 25, 2004